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TESTIMONY OF BRUCE HULION

FOR

THE SOUTH CAROLINA PUBLIC SERVICE COMMISSION

DOCKET NO. 95-1243-S

IN RE: SHOALS SEWER COMPANY

Q. MR. HULION, WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?

A. Bruce Hulion, 111 Doctor's Circle, Columbia, South Carolina. I am employed by the South Carolina Public Service Commission, Administration Division, as an accountant.

Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND YOUR BUSINESS EXPERIENCE?

A. I received a B.S Degree in Business Administration from the University of South Carolina in 1977. I was employed by this Commission in August 1977 and since that time I have participated in rate proceedings involving electric, gas, telephone and water and wastewater companies.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to summarize the results of the Accounting Staff's findings and recommendations

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PUBLIC SERVICE COMMISSION

111 DOCTORS CIRCLE
COLUMBIA, SOUTH CAROLINA 29203

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UTILITIES DEPARTMENT

1 resulting from our examination concerning the above
2 docket. These findings and recommendations are set forth
3 in the Report of the Commission Staff, with attached
4 exhibits.

5 Q. I SHOW YOU A REPORT WITH ATTACHED EXHIBITS, ENTITLED
6 "REPORT OF THE COMMISSION STAFF, SOUTH CAROLINA PUBLIC
7 SERVICE COMMISSION, SHOALS SEWER COMPANY DOCKET NO.
8 95-1243-S." WAS THIS DOCKET PREPARED BY THE COMMISSION'S
9 ACCOUNTING STAFF?

10 A. With the exception of the portion which is tabbed
11 Utilities Department, the report was prepared by the
12 Accounting Staff.

13 Q. (MARK FOR IDENTIFICATION) WOULD YOU SUMMARIZE THE
14 CONTENTS OF THIS REPORT?

15 A. As outlined in the Report's Index, Pages 1 through 2
16 contain the Staff's Analysis of the report, with the
17 remaining pages containing the Accounting Staff's
18 supporting exhibits. The major portion of my testimony
19 will refer to the Accounting Exhibit A as shown on page
20 3 of the Staff's report. This exhibit is entitled
21 Operating Experience and Operating Margins. This
22 exhibit, like all of the Accounting Staff's exhibits
23 detailed in the report, utilizes a test year ending
24 December 31, 1995.

1 Q. DO YOU HAVE ANY FURTHER EXPLANATION OF EXHIBIT A?

2 A. Yes. The Accounting Staff has prepared the exhibit in
3 compliance with the Commission's standard procedures as
4 to calculating income and rate base for water and sewer
5 companies. A brief description of Exhibit A is as
6 follows:

7 Column (1): Presents the Company's per book operations
8 as per the filing for the requested increase. Column
9 (2): This column details the Staff's accounting and pro
10 forma adjustments. These adjustments were made by the
11 Staff in order to normalize the Company's per book
12 operations. The Staff's accounting and pro forma
13 adjustments are detailed separately in Exhibit A-1.

14 Column (3): The Staff's computation of the Company's
15 normalized test year prior to showing the effect of the
16 proposed increase. Column (4): The Staff's adjustment
17 for the proposed increase as furnished by the Utilities
18 Department and all related tax and expense adjustments
19 that are associated with the proposed increase are
20 detailed. Column (5): Presents the Staff's computation
21 of the Company's normalized test year after giving the
22 effects for the accounting and pro forma adjustments and
23 the effects of the proposed increase and its associated
24 adjustments.
25

1 Q. WOULD YOU PLEASE ELABORATE ON THE CALCULATIONS IN
2 EXHIBIT A?

3 A. As shown in Column (1), per book operations, using the
4 Company's records, the Staff, computed Total Income of
5 (\$8,670). By utilizing the per book income of (\$8,670)
6 the Staff computed an operating margin of (45.04%).
7 Column (2), the accounting and pro forma adjustments,
8 are presented in more detail in Staff's Exhibit A-1 of
9 this report.

10 Column (3) details per book operations as adjusted by
11 the Staff. After such adjustments, the Staff computed a
12 total loss of (\$4,581). By using the adjusted total
13 loss, the Staff computed an operating margin of
14 (21.58%).

15 Column (4) details the Staff's adjustments for the
16 proposed increase and the operating expenses affected by
17 the proposed increase. These adjustments are also
18 detailed in Exhibit A-1.

19 Column (5) presents per book operations as adjusted and
20 after the proposed increase. As a result, total income
21 of \$2,646 was computed by the Staff. By using the total
22 income of \$2,646 the Staff computed an operating margin
23 of 9.08%.

1 Q. WOULD YOU PLEASE DESCRIBE, BRIEFLY, THE OTHER
2 ACCOUNTING EXHIBITS IN THE STAFF'S REPORT?

3 A. Exhibit A-1 details the Staff's accounting and pro forma
4 adjustments as well as the Staff's adjustments for the
5 proposed increase and the effects of the increase on
6 operating expenses.

7 Exhibit A-2 details the customer growth computation made
8 by the Staff. The Staff used procedures that are in
9 accordance with the standards set by this Commission.

10 Exhibit A-3 shows the Company's Income Statement as of
11 December 31, 1995 as detailed in the filing.

12 Q. WOULD YOU PLEASE EXPLAIN STAFF'S ADJUSTMENT FOR
13 OPERATING REVENUES AND ITS RELATED ADJUSTMENTS?

14 A. During Staff's review, the Utilities Department
15 annualized the company's revenues based on a billing
16 analysis.

17 Q. WOULD YOU PLEASE EXPLAIN STAFF'S ADJUSTMENT FOR
18 ANNUALIZING DEPRECIATION?

19 A. The Staff has annualized depreciation based on year end
20 plant balances and recommended depreciation rates.

21 Q. PLEASE EXPLAIN STAFF'S CUSTOMER GROWTH ADJUSTMENT.

22 A. Staff computed customer growth to be 1.0638%, since
23 there was a very small change in the number of customers
24 for the test year.
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Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.